

Activision 2Q net income climbs, revenue falls

August 5 2010, By BARBARA ORTUTAY , AP Technology Writer

(AP) -- Activision Blizzard Inc. posted a higher net income for the second quarter Thursday as development expenses and other costs declined, but fewer game launches pushed revenue lower, shy of Wall Street's expectations.

Its shares dropped in after-hours trading, as Activision has a history of beating analysts' forecasts. Its third-quarter outlook was also short of estimates, though the company maintained its guidance for the full year. Shares fell 70 cents, or 6 percent, to \$11.03 after-hours trading Thursday after the release of results.

The publisher of the blockbuster "[Call of Duty](#)" and "[Guitar Hero](#)" games earned \$219 million, or 17 cents per share in the April-June quarter, up 12 percent from \$195 million, or 15 cents per share, in the same period a year earlier.

Its net [revenue](#) fell 7 percent to \$967 million from \$1.04 billion.

On an adjusted basis that excludes special items and accounts for deferred revenue from games with online components, Activision earned \$72 million, or 6 cents per share in the latest quarter. This is a penny above Wall Street's expectations.

Adjusted revenue, meanwhile, fell 15 percent to \$683 million from \$801. This is below the \$719.8 million that analysts polled by Thomson Reuters had expected.

"I think we could have done better on the revenue side," said Chief Operating Officer Thomas Tippl. In addition to the strength of the dollar hurting revenue, "some of our new releases did not perform up to expectations," he said.

"Shrek Forever After" and the shooter "Singularity" are among these titles.

But strong sales of digital add-ons for "Call of Duty" games and a steady stream of revenue from loyal "World of Warcraft" subscribers helped offset the weaker titles.

Expenses fell 19 percent in the second quarter, as development and product costs dropped due to the lighter game release slate.

Tippl said that for the first time revenue from online channels - that is, game downloads from the company's Battle.net site, add-on content and subscriptions - outpaced retail sales during the quarter. Though retail is again expected to pick up during the holidays when many people buy games as gifts, this shows that the industry's aggressive push into digital distribution is beginning to pay off.

[Activision](#) reaffirmed its guidance for the full year. For the current quarter, it forecast adjusted earnings of 8 cents per share on revenue of \$725 million.

Analysts are expecting a profit of 12 cents per share on revenue of \$911.9 million.

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